United Nations E/CN.3/2006/7

Economic and Social Council

Distr.: General
22 December 2005

Original: English

Statistical Commission
Thirty-seventh session
7-10 March 2006
Item 3 (e) of the provisional agenda*
Items for discussion and decision: international economic and social classifications

International economic and social classifications

Report of the Secretary-General

Summary

The present report was prepared at the request of the Statistical Commission at its thirty-sixth session.[a] It outlines how the recommendations of the Commission concerning international statistical classifications have been addressed since that session.

Points for discussion by the Commission are contained in paragraph 87.

[a] See *Official Records of the Economic and Social Council, 2005, Supplement No. 4* (E/2005/24), chap. I, sect. B, para. 2.

* E/CN.3/2006/1.

05-66012 (E) 250106

Contents

		Paragraphs	Page
I.	Recommendations on international classifications made by the Statistical Commission at its thirty-sixth session	1–2	4
II.	Activities carried out in response to the requests of the Commission	3–86	5
A.	Status of the revision process of the International Standard Industrial Classification of All Economic Activities	3–29	5
1.	Background	3–4	5
2.	Objectives and scope	5–6	5
3.	Consultative process	7–11	6
4.	Work undertaken	12–15	7
5.	NACE-NAICS convergence project	16–17	7
6.	Final draft of the International Standard Industrial Classification of All Economic Activities, Revision 4	18–23	8
7.	Future work	24–29	9
B.	Status of the revision process of the Central Product Classification	30–50	10
1.	Background	30–31	10
2.	Objectives and scope	32	10
3.	Consultative process	33–36	10
4.	Work undertaken	37–43	11
5.	Final draft of the Central Product Classification, Version 2	44–48	12
6.	Future work	49–50	13
C.	Status of the revision process of the International Standard Classification of Occupations	51–65	13
1.	Recommendations by the Expert Group on International Economic and Social Classifications	51–55	13
2.	Work undertaken by the International Labour Organization	56–65	14
D.	Status of the revision process of the Standard International Trade Classification	66–68	15
E.	Status of the revision process of agricultural classifications	69–78	16
1.	Agriculture in the Central Product Classification, the International Standard Industrial Classification of All Economic Activities and the International Standard Classification of Occupations	70–73	16
2.	Food and Agriculture Organization of the United Nations: list of agricultural products	74–75	17
3.	Classifications used in the World Programme for the Census of Agriculture	76–78	17

F. Review of the link between the Central Product Classification and the United Nations Standard Product and Services Code 79–84 18

G. Other recommendations by the Expert Group on International Economic and Social Classifications for future work in the family of international classifications 85–86 19

III. Points for discussion 87 20

I. Recommendations on international classifications made by the Statistical Commission at its thirty-sixth session

1. At its thirty-sixth session, held from 1 to 4 March 2005, the Statistical Commission:[1]

(a) Welcomed the report of the Secretary-General on international economic and social classifications and noted its appreciation of the progress documented in that report regarding the 2007 round of classifications revisions;

(b) Also welcomed the expedited efforts of the United Nations Statistics Division to keep the revision of the International Standard Industrial Classification of All Economic Activities (ISIC) on schedule in the period leading up to the next meeting of the Expert Group on International Economic and Social Classifications in June 2005 and thanked the participants in its Technical Subgroup for facilitating that effort;

(c) Noted that the deadlines in the revision processes of the International Standard Industrial Classification and the Central Product Classification (CPC) were highly important for the revision processes of other classifications and urged that efforts be undertaken to also keep the revision of the Central Product Classification on schedule;

(d) Supported the revision work being undertaken on the International Standard Classification of Occupations (ISCO);

(e) Noted with concern that a technical expert group was no longer being convened to assist in the revision process of the International Standard Classification of Occupations and, while noting the alternative mechanism employed by the International Labour Organization (ILO) through the use of the Expert Group on International Economic and Social Classifications, still urged the International Labour Organization to establish such a group.

2. During the discussion of the report of the Ottawa Group on Price Indexes (E/CN.3/2005/8), the Commission also noted the existence of classification schemes related to electronic commerce, such as the United Nations Standard Products and Services Code (UNSPSC), formerly known as the Universal Standard Products and Services Classification. The Commission supported the proposal of the Ottawa Group that the United Nations Statistics Division investigate its potential as a "derived" classification and consider the establishment of correspondence tables with existing international statistical classifications, while taking note of the limitations of UNSPSC, as noted by some delegations.

II. Activities carried out in response to the requests of the Commission

A. Status of the revision process of the International Standard Industrial Classification of All Economic Activities

1. Background

3. The submission of the final structure for the proposed International Standard Industrial Classification of All Economic Activities, Revision 4, to the present session of the Statistical Commission concludes a programme of work that has spanned several years.

4. The Statistical Commission mandated the beginning of the revision in 1999 following its review of the report entitled "Evaluation of progress in the implementation of International Standard Industrial Classification of All Economic Activities, Revision 3 and the Central Product Classification, Version 1.0" (E/CN.3/1999/16). It recommended undertaking the revision of the ISIC in two distinct steps. The first step resulted in the preparation of the ISIC Revision 3.1, submitted and approved by the Statistical Commission in 2002, which was limited to the improvement of the explanatory notes, introductory text and minor structural changes at the four-digit level. The second step should result in a comprehensive review and revision of the ISIC, to be submitted in 2006 to the Statistical Commission with an expected publication date of 2007. The dates have been determined taking into consideration the requests of individual countries and regional statistical offices.

2. Objectives and scope

5. The objectives of the 2007 revision of the International Standard Industrial Classification of All Economic Activities were formulated in terms of improving and strengthening its relevance and comparability with other classifications, while considering its continuity. To maintain relevance, it was necessary to incorporate new economic production structures and activities. Simultaneously, the need for enhanced comparability provided the impetus towards the convergence of the Australian/New Zealand, European and North American industry classifications and other activity classifications used around the world. Also of vital importance was the need to ensure continuity. As a consequence, it was determined that changes should be made only where the benefits in terms of relevance or comparability outweighed the costs. In the later stages of the revision process, it became increasingly clear that continuity was an important element for many countries.

6. The Statistical Commission mandated a broad scope for revision, covering conceptual issues, broad structure issues, detailed structure and boundary issues and detailed explanatory notes of the classification. Major conceptual issues of the revision included questions of whether to develop a unit-based rather than an activity-based classification, the review of classification principles for the treatment of integrated activities, the use of value added and the use of the top-down method for identifying the primary activity of a unit, the use of the production process principle for delineating detailed categories and principles for grouping of activities at higher levels of the classification, the link between activity and product

classifications and the hierarchical structure, and a proposed minimum level of adaptation of the classification by countries.

3. Consultative process

7. Development of the different versions of the ISIC draft, the questionnaires and related materials was carried out by the United Nations Statistics Division in consultation with the Technical Subgroup of the Expert Group on International Economic and Social Classifications. The process has benefited from the guidance of the Statistical Commission and Expert Group, which met three times between June 2001 and 2005. At each meeting, the Statistical Commission and the Expert Group reviewed the process employed and progress made during the revision and set or confirmed new guidelines for the next steps in the revision process.

8. Following the recommendations of the Expert Group, the Statistical Commission confirmed that consultation with all member countries in the revision process should be a priority. This consultation should be achieved through regional workshops and questionnaires seeking input from all countries during different stages of the revision process. On the one hand, the consultation would allow the direct involvement of all major stakeholders, in particular those related to research already carried out on the convergence of industry classifications (see paras. 16 and 17). On the other hand, the process would allow deliberation on different viewpoints, arising out of different economic settings, which needed to be considered to ensure the relevance of the ISIC (and the CPC) as international reference classifications in their respective subject areas.

9. The Technical Subgroup met for a total of 10 (usually week-long) meetings to elaborate the details of the classification. Additional input to the process was provided through seven regional workshops conducted or initiated by the United Nations Statistics Division in different regions of the world; through meetings with the Food and Agriculture Organization of the United Nations (FAO), the Working Party on Indicators of the Information Society (WPIIS), the Association of Southeast Asian Nations (ASEAN) and Afristat on specific subjects; and through seven meetings of the North American Industry Classification System (NAICS)-Statistical Classification of Economic Activities in the European Community (NACE) convergence project, which the Statistics Division has attended. Those meetings and workshops not only provided additional input into the revision process from the perspective of the countries or specialized agencies, but also served as a way to inform countries and agencies on the progress and challenges of the ISIC (and CPC) revision process.

10. Three rounds of country consultations were undertaken, with detailed questionnaires prepared for each round. Each round of country consultations generated replies from about 60 countries, ensuring worldwide representation in the revision process as mandated by the Expert Group and the Statistical Commission.

11. In the present context it is important to note that the update of the 1993 System of National Accounts (SNA) is considering a number of issues relevant for the ISIC revision, such as the treatment of ancillary units and financial services. Agreements reached so far in the SNA update process have been incorporated into the ISIC revision. The Statistical Commission has recognized that the SNA revision process extends beyond the deadline for the completion of the ISIC. While the implications and anticipated resolutions of the SNA issues with respect to the ISIC have been

considered, additional issues may arise during the SNA update that may no longer be reflected in the ISIC if the complete alignment with NACE at all levels of the classification is to be maintained.

4. Work undertaken

12. The Technical Subgroup prepared a proposal for the work programme for the 2007 revision of the International Standard Industrial Classification of All Economic Activities, Revision 4, and the Central Product Classification, Version 2, in a multistage process. The work programme was discussed and approved at the meeting of the Expert Group on International Economic and Social Classifications in June 2001. The Commission subsequently endorsed the workplan at its meeting in March 2002.

13. A first questionnaire covering conceptual issues and cross-cutting and boundary issues was distributed to all countries and relevant international organizations in 2001 with the aim of surveying countries' expectations of the revision, identifying major areas or concepts to be reviewed and setting priorities for the work process that would follow.

14. Taking into consideration the replies to the questionnaire, a draft concept paper and a draft high-level structure of the International Standard Industrial Classification of All Economic Activities was developed in 2002 and presented to the Statistical Commission in March 2003. The draft concept paper and high-level structure of the Classification then served as guidance for the next steps in the revision process and formed the basis for the second questionnaire on the revision of the ISIC and the CPC. That questionnaire was sent out in May 2003 and consisted of a set of four documents: (a) the concept paper for the 2007 ISIC and CPC revision; (b) a draft paper of a possible structure for the ISIC, Revision 4, focusing on higher-level categories; (c) a discussion paper on coding options for the ISIC; and (d) a set of questions for the ISIC and CPC revision. The questions in item (d) arose from the preparation of the three papers mentioned in items (a) through (c) and provided some guidance and structure for the responses. However, responses did not have to be restricted to the issues listed in the questionnaire. The responses to the questionnaire were subsequently reviewed by the Technical Subgroup and resulted in a revised top-level draft structure of the classification, which was presented to the Commission in March 2004.

15. The third enquiry in the present ISIC revision process provided, along with the questionnaire, a full detailed structure of the ISIC, Revision 4, complete with explanatory notes. This draft of Revision 4 was developed on the basis of responses to the first two questionnaires and additional comments received by countries, organizations, working groups, industry associations and the like. The responses to this questionnaire included more than 2,000 individual comments for improving the structure or explanatory text of the classification, which were evaluated and taken into account by the Technical Subgroup at two meetings in early 2005; the draft classification was revised accordingly. The revised version was presented to the Expert Group at its meeting in June 2005.

5. NACE-NAICS convergence project

16. A project to study convergence between the European and North American industry classifications was initiated in 2000. Although not formally part of the

revision of the International Standard Industrial Classification of All Economic Activities or of the work of the Technical Subgroup, the NACE-NAICS convergence project has provided a substantial amount of background information and research useful for the ISIC revision. One output of the project was a convergence scenario, assuming a possible common top structure for NACE and NAICS, which was then discussed during an extensive consultation phase with stakeholders in the participating countries. The outcome of those consultations showed that, despite the benefits, no sufficient support for such a scenario exists. The overriding argument was that the number of necessary changes and associated implementation costs were too high. As a result, the new focus of the convergence work became a "better concordance" scenario, which addressed lower structure detail and concept issues. The suggested changes would result in classifications with much better comparable building blocks, allowing for data conversion at different levels of the classification while still maintaining different structures.

17. The work carried out in the convergence project provided valuable input into the ISIC revision, not only through its final recommendation, but also through conceptual work on the definitions of industry or activity groupings. Moreover, the project provided indications of the extent of convergence achievable in participating countries. At the same time, it showed the limitations in the convergence effort that ISIC and other classifications could achieve.

6. Final draft of the International Standard Industrial Classification of All Economic Activities, Revision 4

18. The final draft of the ISIC, Revision 4, presented to the thirty-seventh session of the Statistical Commission makes considerable changes to the structure of the ISIC, Revision 3.1, with the relevance of the Classification clearly improved. The revised ISIC structure is more detailed than in the previous version, responding to the general need to identify many new industries separately. Moreover, relevance has been enhanced through the introduction of a number of new concepts at higher levels of the classification, such as the "Information and communications" section, while other existing industries in the ISIC have been described in more detail and some categories have been elevated to higher levels, such as waste management activities, professional activities or real estate activities. Other structure options that had been considered, such as the elimination of a "manufacturing" aggregate at the top level, were rejected.

19. The proposed classification structure allows for much better comparison with other standards, such as NAICS, NACE or the Australian New Zealand Standard Industrial Classification (ANZSIC). That achievement in comparability was realized through the discussion and evaluation of new concepts and their respective adoption in the ISIC, but also in the other classifications. Complete alignment has been maintained with NACE at all levels of the classification, while clean links with NAICS and ANZSIC have been established at the two-digit level and often even beyond that. As a result, the proposed ISIC structure provides a much better tool for international data comparison.

20. It has become clear during the revision process that countries around the world have widely differing needs, resulting in different requirements and expectations for an activity classification. In that process, the Expert Group and the Technical Subgroup have tried to create, not a consensus document, but rather a classification

that reflects current economic organization in most countries of the world, is forward looking and provides a good basis for comparable statistics around the world in future years. The proposed structure of the ISIC, Revision 4, reflects the organization of production better than its predecessor and is better suited to describe the current economic reality.

21. The final draft of the International Standard Industrial Classification of All Economic Activities, Revision 4, was considered by the Expert Group on International Economic and Social Classifications at its meeting in June 2005. The Expert Group took decisions on a few open questions brought forward by the Technical Subgroup, gave additional guidance to the Subgroup for clarification of the draft and approved the draft ISIC, Revision 4. The full report of the Expert Group is available as a background document.

22. The structure of the final draft of the ISIC, Revision 4, is also available to the Statistical Commission as a background document. The Commission is requested to review the draft and, as recommended by the Expert Group, approve the draft of Revision 4 as the recommended international classification standard for economic activities.

23. As proposed during the revision process and in previous meetings of the Commission, the Commission may wish to recommend that countries make an effort either to adopt national versions of the ISIC, Revision 4, or to adjust their national classifications in such a way that data can be presented according to the categories of the ISIC, Revision 4. Specifically, countries should be able to report data at the two-digit (division) level of the Classification without a loss of information; that is, national classifications should be fully compatible with this level of the ISIC, or it should be possible to arrange them.

7. Future work

24. Work on the high-level aggregation structures of the International Standard Industrial Classification of All Economic Activities, suitable for National Accounts purposes, was still in progress, with a proposal being considered at the time of the writing of the present report. That proposal will be discussed at the fourth meeting of the Advisory Expert Group on National Accounts in January and February 2006. The Expert Group on International Economic and Social Classifications acknowledged that the "top-top" structure would be included as an annex in the ISIC manual without being part of the regular ISIC structure.

25. Other annexes to the ISIC manual will include alternate aggregations, such as those for information and communication technology activities, and alternate structures, such as one proposed for non-profit institutions, essentially replacing the existing International Classification of Non-Profit Organizations (ICNPO).

26. The Expert Group on International Economic and Social Classifications agreed that a number of conceptual issues, such as the definition of statistical units in the classification and the new treatment for mixed activities should be clearly discussed in the introduction to the ISIC and in supplementary documents.

27. A user's guide is planned for the ISIC, Revision 4. A draft of the user's guide is expected to be reviewed by the Expert Group at its next meeting in early 2007.

28. The focus of the United Nations Statistics Division's outreach programme will from now on shift to the implementation of the classification, following the elements of the user's guide, which will throughout 2006 be tested in workshops.

29. The resources of the United Nations Statistics Division do not allow it to assist a sufficiently large number of individual countries in adapting the classification. Those efforts need to be supported by bilateral or multilateral initiatives. The Commission may wish to suggest ways to support the implementation of the new classification by a large number of countries.

B. Status of the revision process of the Central Product Classification

1. Background

30. The submission of the final structure for the proposed Central Product Classification, Version 2, to the present session of the Statistical Commission concludes a multi-year programme that was undertaken in conjunction with the revision of the International Standard Industrial Classification of All Economic Activities.

31. The beginning of the revision was mandated by the Statistical Commission in 1999 in conjunction with the ISIC revision. The revision of the CPC was conducted in two distinct steps. The first step resulted in the preparation of the Central Product Classification, Version 1.1, which was submitted and approved by the Statistical Commission in 2002. That revision was limited to the improvement of the explanatory notes, introductory text and selected minor structural changes as recommended by the Expert Group on International Economic and Social Classifications in 1999. The second step should result in a comprehensive review and revision of the CPC, to be submitted in 2006 to the Statistical Commission, with an expected publication date of 2007. The dates have been determined taking into consideration the requests of individual countries and regional statistical offices.

2. Objectives and scope

32. The objectives of the 2007 revision of the Central Product Classification were formulated in terms of relevance, comparability and continuity. The two alternatives to the current structure, an industry-of-origin approach and a demand-based approach, were considered. After weighing the pros and cons, a decision was reached to maintain the current CPC structure, which was subsequently endorsed by the Expert Group and the Statistical Commission. The CPC revision focused, therefore, on the review of individual sections of the classification and not on a complete restructuring.

3. Consultative process

33. The consultative process for the revision of the Central Product Classification was based on the same principles and mechanism as the revision of the International Standard Industrial Classification of All Economic Activities.

34. Questions on the scope of the CPC, in particular a better understanding of the boundary between the product classification and an asset classification, have been resolved in cooperation with experts on National Accounts. In addition, issues

arising out of the revision of the 1993 SNA have been considered in making the CPC a better tool within the SNA framework, such as the consistent introduction of the concept of **originals and copies** in the classification.

35. Proposals developed or reviewed in other groups, such as the Voorburg Group on Service Statistics, were also considered and incorporated. In addition, close cooperation with the Food and Agriculture Organization of the United Nations was maintained in the review of the agricultural portion of the CPC and in the elaboration of a more appropriate structure (see also sect. II.E).

36. Throughout the revision process, the various drafts of the CPC revision were prepared by the Technical Subgroup, with the monitoring and guidance of the Statistical Commission and the Expert Group. Three rounds of country consultations were undertaken, which led to about 60 replies from individual countries for each round. The numerous workshops were also used to ensure worldwide country representation. They offered the opportunity to provide updated information on CPC changes to countries and to seek feedback from countries on their experiences with the CPC or other product classifications. Moreover, the consultations provided the opportunity to determine their expectations of this CPC revision.

4. Work undertaken

37. The Technical Subgroup prepared a proposal for the programme of work for the 2007 revision, Central Product Classification, Version 2, in a multistage process. The work programme was discussed and approved at the meeting of the Expert Group on International Economic and Social Classifications in June 2001. The Commission subsequently endorsed the workplan at its meeting in March 2002.

38. The revision process was started by identifying general conceptual issues, defining the scope of the revision, elaborating and reviewing explicit proposals and finally updating the detailed structure and explanatory notes of the classification. Since the CPC has been revised at shorter intervals than the ISIC, it was expected that the revision of the CPC would be much less extensive than the revision of the ISIC.

39. The worldwide consultation for the Central Product Classification (using questionnaires) was initially combined with the ISIC revision, in which the first two questionnaires covered both ISIC and CPC issues. The first questionnaire, sent out in 2001, solicited general proposals for the CPC revision to develop a better understanding of countries' needs in the revision process.

40. The second questionnaire, sent out in 2003, raised a number of conceptual issues with potential impact on the scope of the CPC revision and its relation to other classifications. It included questions on the purpose and scope of the CPC, as well as different options for the CPC aggregation structure.

41. The third questionnaire, sent out in 2004, sought feedback on proposals developed or reviewed in other groups, such as the Voorburg Group on Service Statistics. The proposals related to specific sections such as health services, waste management services or information products. The review of replies to this questionnaire led to the development of the revised CPC structure, which was prepared for distribution in 2005.

42. At its meeting in June 2005, the Expert Group reviewed the process employed for the CPC revision and the detailed work that had been done to produce a first complete draft for the CPC, Version 2. The Expert Group concluded that all proposals received so far had been reflected in the CPC structure and detail and agreed to distribute the draft in that form for worldwide consultation.

43. Of particular concern in the first draft of the CPC, Version 2, was the proposed structure for agricultural and related products, which was deemed to be too detailed in its original form. That particular part of the Classification was subsequently revised in meetings of the Technical Subgroup and in a special meeting convened by the Food and Agriculture Organization of the United Nations.

5. Final draft of the Central Product Classification, Version 2

44. Based on previous proposals and agreements, the main structure of the Central Product Classification remains unchanged, but improvements and adjustments have been made to the following areas: agricultural raw and processed products, information products, information and communication technology-related products, transportation services, accommodation services, professional services, waste management services, health services, telecommunication services and originals. Most of the proposals had been reviewed in other forums, such as the Voorburg Group on Service Statistics, before being incorporated in the CPC draft and reviewed by countries in the full CPC context.

45. Links to other classifications have been considered in the revision process and have led to some changes in the classification and to recommendations for changes to other classifications to improve the comparability of data. In that regard, the Classification of Products by Activities (CPA), the North American Product Classification System (NAPCS), the Standard International Trade Classification (SITC), the Harmonized Commodity Description and Coding System (HS; Harmonized System), the Extended Balance of Payments Services Classification (EBOPS) and the International Standard Industrial Classification of All Economic Activities have been considered for substantial parts of the revision process. Similar to the link between the ISIC and NACE, particular attention has been paid to maintain a strong correlation between the Central Product Classification and the Classification of Products by Activities at the most detailed level, although their aggregation structures differ.

46. The revised structure of the CPC and the extended recognition of products better reflect the current production patterns and make the revised CPC a better tool for measuring outputs of economic activities in line with concepts in the SNA.

47. Following the recommendations made by the Expert Group on International Economic and Social Classifications at its meeting in June 2005, the final draft of the CPC, Version 2, structure was reviewed after the meeting by the Technical Subgroup and, at the time of the writing of this report, was being reviewed by the Expert Group for approval.

48. The structure of the final draft of the CPC, Version 2, is available to the Statistical Commission as a background document. The Commission is requested to review the draft and approve that structure as the recommended international product classification standard.

6. Future work

49. The planned user's guide for the International Standard Industrial Classification of All Economic Activities will address Central Product Classification issues as well. This will be achieved through the discussion of classification principles and their interpretation and application in both classifications, recognizing that the CPC describes the outputs of the economic activities described in the ISIC. This joint presentation of ISIC and CPC issues should also foster the combined use of the ISIC and the CPC for statistical purposes.

50. Similarly, the activities for furthering the implementation of the Central Product Classification will be combined with the implementation efforts for the International Standard Industrial Classification of All Economic Activities. United Nations Statistics Division workshops will focus on the combined use of the ISIC and the CPC, as described above.

C. Status of the revision process of the International Standard Classification of Occupations

1. Recommendations by the Expert Group on International Economic and Social Classifications

51. At its meeting in June 2005, the Expert Group on International Economic and Social Classifications took note of the mandate and process to update the International Standard Classification of Occupations 1988 (ISCO-88),[7] including the establishment of an ISCO web forum and the sending of methodological questionnaires to member countries. It also considered the significant constraint imposed by the seventeenth International Conference of Labour Statisticians in December 2003 to maintain the basic structure and fundamental principles of the ISCO-88.

52. The Expert Group noted the need for a long-term plan for the review cycle of the ISCO and recommended that the International Labour Organization provide information about its long-term vision for the Classification to the next meeting of the Statistical Commission.

53. As an immediate practical measure, the Expert Group discussed and endorsed the proposal to establish a technical subgroup on the International Standard Classification of Occupations to advise the International Labour Organization in the drafting of proposals for updating the ISCO and in the preparation of documents for discussions at technical meetings. Terms of reference for the group and a timetable and set of deliverables have been elaborated. The Technical Subgroup on the International Standard Classification of Occupations will report back to the Expert Group at a meeting in early 2007.

54. The actual status of the group as a subgroup of the Expert Group on International Economic and Social Classifications was subsequently questioned by the ILO, but it still intends to report back to the Expert Group on work carried out until 2007.

55. After the endorsement by the Expert Group, the ISCO will go through an approval process involving an International Labour Organization tripartite meeting and the International Conference of Labour Statisticians. The Commission may wish

to discuss if and how potential changes to the classification being made during those later steps could be brought back for discussion by the Expert Group or in another appropriate statistical forum.

2. Work undertaken by the International Labour Organization

56. Work on updating the International Standard Classification of Occupations (ISCO-88) started in January of 2004, as mandated by the seventeenth International Conference of Labour Statisticians in November 2003. The updated classification will be known as ISCO-08 and should be available by the end of 2007, as recommended by the Statistical Commission at its thirty-fourth session in March 2003.

57. In September 2004, a questionnaire was sent to all countries through their national statistical agencies, their ministries of labour and, when contact information was available, their vocational training institutes, employer organizations and worker organizations. The questionnaire sought advice on a number of conceptual issues and on the treatment of specific occupational groups. It also sought concrete recommendations on the creation of new occupational groups and on improving the descriptions of already existing groups.

58. The replies to the questionnaire were analysed by the International Labour Organization and summarized in a paper that formed the basis for discussions about the ISCO at the meeting of the Expert Group on International Economic and Social Classifications held in New York in June 2005.

59. The Expert Group provided advice with respect to a number of proposals for change to the classification canvassed in that paper. It also expressed concern that the use of "skill level" as a method of differentiating between categories in the classification needed to be explained more clearly to allow for consistent international application of the concept. With respect to the process for updating the classification, the Expert Group advised that the scope and boundaries of the revision process needed to be clarified and that further information about the timetable for future updates was required.

60. As suggested by the Statistical Commission at its thirty-sixth session, the International Labour Organization has established the Technical Expert Group for updating the International Standard Classification of Occupations. The Technical Expert Group met in Geneva from 8 to 11 November 2005. Significant progress was made at the inaugural meeting, during which agreement was reached on the following matters:

(a) The mode of operation for the Technical Expert Group and the method to be used for resolving structural and conceptual issues;

(b) The boundaries of the work to be undertaken;

(c) The plan of work for the updating process;

(d) An extended definition of skill level and a method of measuring that concept operationally in an international context;

(e) The most appropriate treatment in the new ISCO of a number of occupational groups that had been identified as being problematic, including managers, teachers, fast food cooks and street service workers;

(f) A framework for further work with respect to some other occupational groups for which it was felt that more information was required, including occupations in information and communication technology;

(g) The development of alternative groupings for the classification, based primarily on the goods or services produced, independently of skill level.

61. Although much of the work of the Technical Expert Group will be done by electronic means, it is anticipated that it will need to meet physically from time to time, and two meetings are planned in 2006.

62. A second questionnaire will be sent out early in 2006 seeking views on a draft updated classification structure and seeking advice on areas where the Technical Expert Group feels that further information is required. Countries will also be invited to make further proposals for change to the classification structure. The analysis of the replies to the second questionnaire will be considered by the Technical Expert Group during 2006 with the aim of circulating a near-final draft classification structure to countries for comment at the beginning of 2007. The draft will also be available for discussion at the next meeting of the Expert Group on International Economic and Social Classifications, scheduled for early 2007.

63. Discussions in an Internet web forum established by the International Labour Organization will constitute a second mechanism through which feedback from countries and other interested parties may be obtained. Those discussions will concentrate on issues emerging from responses to the questionnaires that are regarded as requiring further discussion, as well as on any other issues that may arise from the discussions themselves.

64. The ILO will then finalize the classification for discussion at an ILO tripartite meeting of experts on labour statistics to be convened at the end of 2007. That meeting of experts will be asked to adopt ISCO-08 as mandated by the seventeenth International Conference of Labour Statisticians.

65. Following adoption of the classification it is intended that the Technical Expert Group will continue to function and will provide advice to the International Labour Organization on issues associated with implementation of the International Standard Classification of Occupations and on the need for further updates or revisions.

D. Status of the revision process of the Standard International Trade Classification

66. The Expert Group on International Economic and Social Classifications was briefed on the work done and on progress made on the fourth revision of the Standard International Trade Classification on its meeting in June 2005. The Expert Group expressed the need for the Task Force on International Merchandise Trade Statistics to formulate more clearly the underlying conceptual fundamentals and principles of the SITC in its revision process and agreed that the work on the SITC revision should move forward based on the above. A number of countries and organizations indicated an interest to be kept abreast of the SITC revision, namely, Argentina, Austria, Australia, China, France, the Philippines, and the United States of America; and Eurostat, the Food and Agriculture Organization of the United Nations, the Organization for Economic Cooperation and Development and the International Monetary Fund.

67. The following were sent to all members of the Expert Group for comments: the provisional draft of the SITC, Revision 4; a correlation table between the SITC, Revision 4 and the Harmonized System 2007; an overview of the SITC, Revision 4; and two annexes, one with a list of deleted SITC, Revision 3 codes, and the other with a list of new SITC, Revision 4 codes. The Trade Statistics Branch of the United Nations Statistics Division received some comments and will incorporate them into the revision whenever possible.

68. The Technical Subgroup of the Expert Group on International Economic and Social Classifications was updated on the progress of the fourth revision of the SITC and the linkage between the Central Product Classification and the Standard International Trade Classification during its meeting in October 2005. The Technical Subgroup supported the revision of the SITC in general and the improvement of the links between the CPC and the SITC to the extent possible, in particular.

E. Status of the revision process of agricultural classifications

69. The efforts to align agricultural classifications with the overall international classifications (i.e. ISIC, CPC and ISCO) have been made parallel on three fronts: contributing FAO proposals for the Central Product Classification, the International Standard Industrial Classification of All Economic Activities and the International Standard Classification of Occupations, updating the FAO list of agricultural products and applying international classifications to the World Programme for the Census of Agriculture. The current revision processes for the ISIC, the CPC and the ISCO have provided a rare opportunity for such joint efforts by the Expert Group on International Economic and Social Classifications and its Technical Subgroup, the United Nations Statistics Division, the Food and Agriculture Organization of the United Nations, other international/regional organizations and member countries to be productive.

1. Agriculture in the Central Product Classification, the International Standard Industrial Classification of All Economic Activities and the International Standard Classification of Occupations

70. In the past, the Central Product Classification was not fully applicable to agricultural statistics mainly because the structure and detail of the Harmonized System, the basis of the CPC, were not directly suitable for the purpose of agricultural statistics. For example, while it was important to measure raw agricultural products in terms of domestic production, they were not always internationally traded in large amounts. If such a category was too small for the Harmonized System, it was typically combined with the further processed forms of those products. In addition, there were products that may have been of particular interest to agricultural statisticians and analysts but were not separately identifiable in the Harmonized System for other reasons. There was a long-standing request for the CPC structure to be more responsive to the needs of agricultural statistics, requiring more detail in this area.

71. The adoption of the FAO proposal for the Central Product Classification, supplemented by comments from countries, has helped in the revision of structures, and in the clarification of concepts and definitions. It also ensured the inclusion of necessary details for implementation in the CPC. Compared with CPC Version 1.1,

about 200 new items have been added to CPC Version 2 in the areas of agriculture, forestry, fisheries and food. The structure and contents of the new version of the CPC now reflect much better than ever before the reality and needs of agricultural statistics.

72. With the input of the FAO proposal for the ISIC, the new version of that classification has met the request by many countries to have a more detailed breakdown for the production of crops and the raising of animals. It has also recognized the importance of the production of seeds and seedlings and has clarified the content of "seed processing" and related production of seeds for flowers, fruit and vegetables.

73. In early 2005, a proposal by the FAO for the International Standard Classification of Occupations was submitted to the ILO Bureau of Statistics, suggesting some specific recommendations to improve the classification of occupations in the areas of agriculture, forestry and fisheries in ISCO-88.

2. Food and Agriculture Organization of the United Nations: list of agricultural products

74. The problem in the past was that classifications used for agricultural statistics were not fully compatible with classifications used in other areas of statistics. The FAOSTAT list of agricultural products was inspired by the SITC and it was adapted by adding additional details. The list has been used by FAO and member countries to collect agricultural data during the last 40 years. It served well the specific needs of agricultural production statistics, especially in dealing with heterogeneous definitions used by different countries in order to publish data from different domains and sources together in an analytical structure. Over the year, however, the list remained static and was not updated with new technological advances and changes. Gradually, its concepts and definitions became outdated as compared with the Harmonized System and the Central Product Classification. As a result, the comparison and integration of agricultural statistics with other statistics was impaired.

75. As part of the new project to modernize FAOSTAT, the FAO list of agricultural products has been carefully reviewed and revised. It has now been updated and brought into line with international classifications, especially the CPC, through a better and closer link with Harmonized System. The new list contains about 600 primary and transformed commodities mainly derived from about 2,020 commodities in the Harmonized System. In addition, a list of 200 aggregated primary food items has been identified for the purpose of compiling food balance sheets and supply utilization accounts, the statistics and indicators of which play an important role in the monitoring of the progress of the Millennium Development Goals. Those items were selected on the basis of their importance in terms of nutritional content, quantity and price, and are identified by the same definitions, contents and titles as in the Harmonized System.

3. Classifications used in the World Programme for the Census of Agriculture

76. The inclusion of the FAO proposals for the International Standard Industrial Classification of All Economic Activities and the Central Product Classification in their new versions, the ISIC, Revision 4, and CPC, Version 2, has effectively

facilitated their application to the next World Programme for the Census of Agriculture.

77. At the FAO Technical Review Meeting on the World Programme for the Census of Agriculture 2010, held in Rome Italy, in March 2005, there was broad consensus that the classifications to be used for the agricultural census, particularly for crops, livestock and machinery, should be harmonized with such standard international classifications as the International Standard Industrial Classification of All Economic Activities and the Central Product Classification, and with the System of National Accounts. Experts at the Meeting fully endorsed the initiative of FAO to apply the CPC and ISIC as the base for constructing classifications used for the next round of the World Programme for the Census of Agriculture.

78. In the design of the World Programme for the Census of Agriculture 2010, concepts and principles of the SNA and the ISIC have been used to define the agricultural census units, agricultural activities and the scope of the agricultural census. For the first time in its history, a new crop list has been constructed based on the principles and structures of the CPC and the ISIC. The classification of crops, classification of livestock and classification of machinery and equipment recommended in the World Programme for the Census of Agriculture 2010 are now fully compatible with the ISIC and the CPC.

F. Review of the link between the Central Product Classification and the United Nations Standard Product and Services Code

79. At its thirty-sixth session, the Commission reviewed the report of the Ottawa Group on Price Indexes, which contained a request to consider the potential of the United Nations Standard Products and Services Code as a derived classification and whether it would be appropriate for the United Nations Statistics Division to investigate the development of concordances between this classification and existing reference classifications.

80. The term "derived classification" has been reserved for members of the family of international classifications, which are based upon the relevant reference classification. Derived classifications may be prepared either by adopting the reference classification structure and categories and then possibly providing additional detail beyond that provided by the reference classification, or they may be prepared through the rearrangement or aggregation of items from one or more reference classifications. A simple comparison of the CPC and UNSPSC structures indicates that this type of relationship between the two classifications does not exist. In addition, the UNSPSC, not being a statistical classification and not having undergone an approval process, as set out in the preamble to the family of international economic and social classifications, does not meet the criteria for introduction into the family.

81. The issue of establishing a correspondence between the CPC and the UNSPSC has been considered by the United Nations Statistics Division and a trial correspondence has been developed. The trial correspondence for a subset of the classification has shown that the conceptual differences for development of the detail of the classifications make it practically impossible to arrive at meaningful correspondence tables that can be used to convert data between the two classifications precisely. While the CPC bases its goods part on definitions of the

Harmonized System, there is no such link or equivalent level of definition for the UNSPSC. In addition, the categories at the detailed level of the UNSPSC for services are often not identifiable in terms of the CPC owing to ambiguity in language or for other reasons. The concepts used for defining and grouping items in the classification are also different (if identifiable).

82. The Expert Group also discussed the preceding issue at its meeting in June 2005. The UNSPSC is a moving structure list with a user base of some 2,000 enterprises worldwide. The Expert Group agreed that such a coverage ratio would not be sufficient to collect sufficient data for use in the calculation of price indexes. Moreover, a large number of procurement classifications are in use worldwide, including classifications for government use and for private companies. For example the European Community mandates the use of the Common Procurement Vocabulary (CPV); the United States uses other classifications, including the Federal Supply Classification; and many large companies may run still other proprietary systems. In observing that the UNSPSC is not the appropriate mechanism for satisfying the intended objectives, the Expert Group instructed the United Nations Statistics Division to report the above findings to the Ottawa Group. The Expert Group also suggested that a preliminary assessment be made of procurement classifications to determine whether there is any in widespread use in the European Union, North America and/or other regions in order to determine whether there is a procurement classification that is predominant worldwide.

83. A comparison of the detail provided in the UNSPC and CPC makes the UNSPSC appear much more detailed. However, considering the UNSPSC detail as a list of products rather than as a structured classification, it seems more appropriate to compare it to the CPC index, which now covers more than 42,000 items, compared to 18,000 in the UNSPSC. It should be further explored if and how this detail can be used for the purposes intended by the Ottawa Group.

84. The Expert Group has communicated its findings to the Ottawa Group and will, in cooperation with the Ottawa Group, undertake further consultations to investigate potential changes in the CPC that could lead to its improved applicability for price statistics.

G. Other recommendations by the Expert Group on International Economic and Social Classifications for future work in the family of international classifications

85. The Expert Group on International Economic and Social Classification discussed the proposal to establish a mechanism for assessing the implementation of international standard classifications through a formal set of questions and criteria. The Expert Group agreed that this measurement should take several key areas into account, which would focus not only on the strict adaptation of the coding structure, but also on data comparability and use of the classification. The assessment should also take into account correspondence tables between the international standard and national adaptations. The Expert Group agreed to the key areas outlined in the discussion document as a starting point and asked that a small group of Expert Group members prepare a refined version within the next year. Experiences with other families of classifications, such as that of the World Health Organization, should be taken into account.

86. The Expert Group also discussed different economic classifications and their relationship and agreed that their concepts and potential future role within the family of international economic and social classifications should be reviewed. Such a review should be undertaken for economic classifications including the International Standard Industrial Classification of All Economic Activities, the Central Product Classification, the Standard International Trade Classification, the Classification by Broad Economic Categories and the classifications of expenditure according to purpose. The work should start with a concept/vision paper to be prepared within the next 12 months. It was concluded that the present Technical Subgroup of the Expert Group on International Economic and Social Classifications could take on this task, but at a later time after the conclusion of the ISIC and CPC revisions. The work could be linked to the implementation and use of the CPC.

III. Points for discussion

87. **The Statistical Commission may wish to express its views on the following questions:**

(a) **Does the Commission agree to recommend the above-mentioned ISIC and CPC structures as the international standards for activity and product classifications and request countries to use these classifications as models for their national classifications to produce internationally comparable statistics?**

(b) **Does the Commission agree with the recommendation that countries should adapt their national classifications to be able to report data at least at the two-digit level of the International Standard Industrial Classification of All Economic Activities without loss of information?**

(c) **Does the Commission wish the United Nations Statistics Division to elaborate an implementation programme for the ISIC and the CPC, including financial and human resource implications, which will then require the active support of member countries?**

(d) **Does the Commission agree with the workplan for the International Standard Classification of Occupations as set out by the International Labour Organization? Does the Commission agree that the Expert Group on International Economic and Social Classifications should remain involved in this process, especially after the planned review at the Expert Group meeting in 2007?**

(e) **Does the Commission agree with the findings of the Expert Group not to pursue further a link between the United Nations Standard Products and Service Code and the Central Product Classification?**

Notes

[1] See *Official Records of the Economic and Social Council, 2005, Supplement No. 4* (E/2005/24), chap. I, sect. B, para. 2.

[2] Geneva, International Labour Office, 1990.